

July 15, 2002

Dennis Smith  
Director  
Center for Medicaid and State Operations  
Centers for Medicare and Medicaid Services  
7500 Security Boulevard  
Baltimore, MD 21244-1850

Dear Mr. Smith:

The State of New Jersey is requesting a modification to the Medicaid component of the NJ FamilyCare program using the provisions afforded States under the Health Insurance Flexibility and Accountability demonstration Initiative, (HIFA). This proposal meets all the criteria outlined in the HIFA Demonstration guidelines.

The Medicaid component of NJ FamilyCare was developed, using Section 1931 of the Social Security Act, by adding an enhanced earned income disregard. Families with earned income are eligible for AFDC Medicaid if their family incomes are equal to or less than 133% FPL.

The service package for this population is the all-inclusive Medicaid package. NJ is proposing to standardize this service package for all parents enrolled in NJ FamilyCare to the most widely used HMO package with the largest commercial non-Medicaid enrollment marketed in New Jersey. This is the package available to higher income (above 133% FPL) NJ FamilyCare parents.

The savings derived from the standardization of the benefit package will be devoted to expanding health insurance to the additional category of applicants pending enrollment as of June 15, 2002.

**Background:**

Since the inception of the Children's Health Insurance Program, New Jersey has demonstrated its commitment to reducing our uninsured population. Not only were we one of the first states to enroll parents of SCHIP eligible children, but we

concurrently expanded the Medicaid program for low-income working families, provided State-funded coverage to poor single individuals and restricted legal immigrant families, children and pregnant women. These decisions not only assured access to quality health care for thousands of previously uninsured people, but it also leveraged funding to support the safety net providers who traditionally struggled to serve this population.

The federal support of the program comes through an 1115 Waiver of the Title XXI State Plan, in which SCHIP funding is used to support the parents of the SCHIP children. While the waiver specifically stated that we would cap the enrollment at 125,000 individuals, the State's commitment to reducing the number of uninsured allowed us to exceed that level. In fact, enrollment has grown to 180,000, at a rate that far exceeded our expectations. To assure funding for ongoing support of these previously uninsured individuals the State has implemented several cost control measures. In September 2001, the State funded aspect of the program was closed to new single adults. In June 2002, the program was closed to new parents. However, we continue to struggle to fund the parent applicants in process and to maintain the level of participation for existing enrollees that we have accomplished to date, including the 55,000 adults indicated above.

#### **Proposed Program Changes That Require a Waiver**

While the State continues to process applications for children, 12,000 new parent applications were received prior to the June 2002 action. Consistent with the intent of the HIFA, the State is requesting a waiver to change the benefit package for recipients in the Medicaid expansion group, i.e., with earned income up to 133% FPL. The new benefit package would standardize coverage for all parents, excluding the AFDC/Medicaid group, to the most widely sold commercial product in New Jersey, effective September 1, 2002 (See Attachment C -- NJ FamilyCare Benefits). The ability to generate the savings is essential to providing coverage to the 12,000 new parent cases and the additional 55,000 adults referenced above.

All families enrolled in NJ FamilyCare are eligible for the Premium Support Program (PSP) outlined in Attachment E. The PSP program provides subsidies to families to purchase comprehensive employer sponsored health coverage where available.

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The consequence of not granting the waiver would be to jeopardize coverage to the 12,000 new parents as well as the additional 55,000 adults indicated above. Additionally, such a consequence could produce other scenarios including instituting a "waiting list" for future applicants and possibly even elimination of Title XIX "optional" services to assure basic and long-term coverage to the existing NJFC participating population while remaining within budgetary guidelines.

In closing, the decision to freeze enrollment was made only after careful deliberation. This decision, as well as our intention to modify the benefit package as outlined above, was disseminated to the public as evidenced in Attachment F.

Thank you for your consideration of this request.

Sincerely,

Gwendolyn L. Harris  
Commissioner

GLH:2  
Enclosures